

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

—
(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

December 22, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

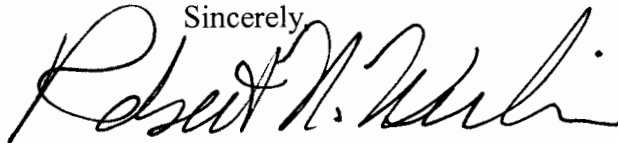
Re: D.T.E. 05-89, Cambridge Electric Light Company/Commonwealth Electric
Company – Reply to Comments

Dear Secretary Cottrell:

Enclosed for filing is the response of Cambridge Electric Light Company and Commonwealth Electric Company, d/b/a NSTAR Electric to the comments filed in the above-referenced proceeding..

Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

Enclosure

cc: Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

_____)
Cambridge Electric Light Company)
Commonwealth Electric Company)
_____)

D.T.E. 05-89

NSTAR ELECTRIC RESPONSE TO COMMENTS

I. INTRODUCTION

On December 2, 2005, Cambridge Electric Light Company (“Cambridge”) and Commonwealth Electric Company (“Commonwealth”) (together, “NSTAR Electric” or the “Companies”), submitted to the Department of Telecommunications and Energy (the “Department”) their 2005 reconciliation filing, including new rates for effect on January 1, 2006.¹ Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (collectively, “Constellation”), the City of Cambridge (the “City”), The Energy Consortium (“TEC”)² and the Cape Light Compact (“CLC”) submitted comments on the filing. The Companies hereby respond to each set of comments.

¹ On December 6, 2006, the Companies filed in D.T.E. 05-85, a Settlement Agreement with the Attorney General, Associated Industries of Massachusetts and Low-Income Energy Affordability Network, which, inter alia, would reduce the requested level of the transition charge filed in this proceeding.

² Although comments are filed by “counsel representing The Energy Consortium” only the President and Fellows of Harvard College (“Harvard”) and the Massachusetts Institute of Technology (“MIT”) (and two affiliated institutes) are “endorsing” the letter (TEC Comments at 1).

II. RESPONSE TO COMMENTS

A. Constellation

Constellation's comments are limited to the manner in which the reconciliation of costs incurred in providing Default (Basic) Service are collected from customers. Constellation argues that the Companies should not collect their under-recovered costs from all customers, as required by the Companies' Default Service Adjustment tariffs (M.D.T.E 204D and M.D.T.E 304D), but rather should recover those costs through their rates for Basic Service (Constellation Comments at 1-2). Constellation claims that the Companies' "proposal" should be rejected as inconsistent with the development of a competitive market and in violation of principles of "cost causation and equity" (*id.* at 2-3). Constellation's comments must be rejected by the Department for both procedural and substantive reasons.

First, it should be noted that the Default Service Adjustment filing in this case is not a new proposal, but merely implements tariff provisions that have been in place since industry restructuring.³ In fact, and as acknowledged by Constellation, this issue was the subject of a fully litigated generic proceeding in which a working group of industry stakeholders considered various matters relating to providing default service. In D.T.E. 99-60-C, the Department considered and rejected Constellation's position here and found:

The default service reconciliation is part of the cost of providing default service. That cost ideally should be recovered from or refunded to the customers that cause the cost. However, default service is intended to act as a safety net for all customers even if they do not currently receive generation supply from a default service provider. Further, the number of

³ Of course, like other reconciliation mechanisms, the actual amount of the adjustment, if any, is calculated individually each year. Constellation does not challenge either the amount to be recovered or the calculation of the adjustment.

customers on default service at one time may constantly change. Who, then, causes these costs to be incurred? Cost causation may be ascribed both to customers actually partaking of default service and, to some extent, the mass of customers who are eligible to do so (even if, in fact, they do not so partake) and on whose behalf an electric company secures the insurance fallback of default service eligibility. Consequently, collecting or refunding the default service reconciliation costs from or to default service customers may not collect or refund the costs from the actual customers that caused the cost, and may result in large swings in the default service price since the load may vary significantly from one month to the next month. Therefore, it is not practical to collect or refund the default service reconciliation costs from or to only actual default service customers.

Default service does act as insurance for all customers who enter the competitive market; and it does assure all customers who move to a new service territory that they will be provided service. Accordingly, this obligation benefits all customers, and therefore, the over- or under-recovery should be spread among all customers. Consistent with the language of the companies' default service adjustment tariffs, it is appropriate to reconcile these costs annually.

D.T.E. 99-60-C at 13 (2000).

The Companies' Default Service Adjustments in this reconciliation filing are in compliance with their tariffs and long-standing Department requirements. Constellation has repeated arguments that were considered and rejected by the Department in D.T.E. 99-60-C. Moreover, it would be inappropriate for the Department to consider reversing its findings in that contested case in reviewing compliance tariffs and without providing the opportunity for input from the stakeholders who participated in the previous proceeding. Accordingly, the Department should reject Constellation's untimely challenge to Department precedent and approve the Default Service Adjustment tariffs, as filed.

B. The City and TEC

The City expresses concern about the size of the increase in Cambridge's transition charge (City Comments at 1-2). It argues that the increase violates the

Department's standard of rate continuity and will have an adverse impact of customers in Cambridge (*id.*). TEC expresses similar sentiments.

Although Cambridge certainly shares the City's and TEC's concerns about the impact on customers of energy price increases, they have miscalculated the size of the proposed increase in the transition charge and have not fully considered the short-term and long-term rate mitigation initiatives contained in the Settlement Agreement filed in D.T.E. 05-85.⁴

The City and TEC inaccurately claim that the proposed transition charge represents a 450 percent increase "over its currently approved transition charge" (*id.* at 1, TEC Comments at 1-2). It is inappropriate to view a percentage increase of only one, relatively small element of a customer's total bill, but even viewed in that manner, their calculation is inaccurate. The existing average transition rate is 0.549 cents per kilowatt-hour ("kWh"), and the proposed average rate for 2006 contained in the reconciliation filing (D.T.E. 05-89) is 1.723 cents per kWh, which is an average increase of 1.174 cents per kWh. See D.T.E. 05-44/45, at 7 (2005) and Exhibit CAM-CLV-1, page 1. Even if viewed in isolation, the percentage increase is approximately one-half of that claimed by the City and TEC.⁵

The impact of the increase in the transition charge on an average residential customer's total bill is significant, but does not violate precepts of rate continuity. For

⁴ The City recognizes that, because of the Companies' "more comprehensive rate proposal filed in [D.T.E.] 05-85, this proposal may be moot" (City Comments at 2). As described below, the City is correct. The proposed transition charge has been reduced, and the long-term benefits of the Settlement Agreement will stabilize rates in future years.

⁵ Despite the increase in Cambridge's transition charge, Commonwealth's 2006 transition charge (in the absence of approval of the Settlement Agreement) would be 2.532 cents per kWh, which is nearly 50 percent higher than Cambridge's average transition charge of 1.723 cent per kWh.

example, an average residential customer on Rate R-1 uses 315 kWh per month. When this usage is multiplied by the 1.174 cents-per-kWh increase, the total monthly increase is \$3.70. This is approximately 5.4 percent of the average customer's total bill of \$69.13 per month (Exhibit CAM-HCL-8, page 1).

Nonetheless, the Companies acknowledge the impact on customers of high energy prices, and the Settlement Agreement filed in D.T.E. 05-85 is designed to provide some short-term relief and long-term stability to distribution and transition rates. If approved, Cambridge's transition charge for January 1, 2006 will immediately be reduced to 1.632 cents per kWh, and the sum of distribution rates and the transition charge will remain stable. TEC recognizes that the provisions of the Settlement Agreement "ameliorate the current high prices of electricity" and TEC "does not oppose Department approval of the Settlement [Agreement]" (TEC Comments [D.T.E. 05-85] at 1). Moreover, both Harvard and MIT "strongly support[] the proposed decrease in [the transition charge] effective January 1, 2005" (Harvard Comments [D.T.E. 05-85] at 1; MIT Comments [D.T.E. 05-85] at 1). Accordingly, the terms of the Settlement Agreement address the City's and TEC's concerns.

C. Cape Light Compact

CLC submitted late-filed comments on December 20, 2005.⁶ CLC raises two issues: (1) the relationship between this filing and the pending Settlement Agreement in D.T.E. 05-85 (CLC Comments at 1-2); and (2) the Default Service Adjustment (CLC Comments at 2-6).

⁶ The Notice issued by the Department required comments to be filed in this case no later than close of business on December 16, 2005. CLC offered no "good cause" for its untimely filing, and for that reason alone, its comments should be disregarded. Nonetheless, the Companies will respond to the issues included the CLC comments.

CLC argues that consideration of the rates proposed in this case be stayed, pending resolution of the Settlement Agreement in D.T.E. 05-85. This argument makes no sense for a number of reasons.⁷ As acknowledged by CLC, the Settlement Agreement expires, by its own terms, if not approved by December 30, 2005. Accordingly, if the Settlement Agreement is approved by that date, the transition charges at the lower level will be approved for effect January 1, 2006, and there is no reason to stay any rate proposed in this reconciliation case (D.T.E. 05-89). Similarly, if the Settlement Agreement were to be rejected (or not acted upon) by December 30, 2005, the rates proposed for effect on January 1, 2006 in this reconciliation case must be approved, as the Department has done every year since 1999. As CLC should know, the approval of the rates filed annually in these cases is not dispositive of the issue of the underlying reconciliation of costs. The reconciliation is always subject to further Department proceedings, review and ultimate adjudication.

The other issue raised by CLC is the propriety of the Department-approved methodology established by the Default Service Adjustment. As is the case with Constellation's comments, CLC does not (and cannot) claim that the Companies have failed to apply the recovery mechanism mandated by the Department. Instead, CLC argues that the Department should reconsider its policies (CLC Comments at 5).⁸ For the

⁷ Aside from the procedural infirmities of CLC's argument described below, the Companies can make no sense of the numerical calculations included in CLC's comments (CLC Comments at 2). CLC has provided no citations to its calculations or how they are relevant to the request to stay this proceeding.

⁸ CLC also falsely claims that the "Companies never used the default service adjustment process for the years prior to 2005" (*id.* at 4). In fact, the Department approved a Default Service Adjustment for Commonwealth for rates in effect in 2004. D.T.E. 03-118 (Order dated January 6, 2004).

reasons set forth above in addressing Constellation's comments, CLC's argument must be rejected.

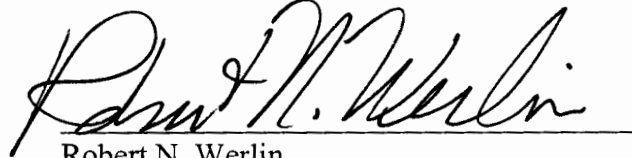
III. CONCLUSION

For the aforementioned reasons, the Department should approve the Companies' reconciliation tariffs for effect January 1, 2006, subject to changes mandated upon approval of the Settlement Agreement in D.T.E. 05-85.

Respectfully submitted,

**CAMBRIDGE ELECTRIC LIGHT COMPANY
COMMONWEALTH ELECTRIC COMPANY**

By Their Attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", is written over a horizontal line.

Robert N. Werlin
David S. Rosenzweig
Keegan Werlin LLP
265 Franklin Street
Boston, Massachusetts 02110
(617) 951-1400 (telephone)
(617) 951-1354 (facsimile)

Date: December 22, 2005